TCHA Revenue and Cost Report  
Prepared by Sue Ellen McCann, 1/18/18  
An update to the 12/2/17 Treasurer’s Report prepared by John Gray

On December 2, 2017, the Board Treasurer made a presentation on the state of the TCHA revenue and costs that covered the past three years. He noted that the review was not completed and ongoing and subject to a possible audit. The report covered balances of TCHA fund accounts, legal expenses, Unit 1 road fund, trail and road maintenance, taxes, insurance and concerns for the future and a copy of the presentation can be found at the end of this report.

This update was prepared to provide updated financial information, additional context and history to events and decisions made over the past several years, and to answer some questions that were raised during the presentation.

In reviewing the TCHA records, particularly the Board Minutes, it is hard not to notice both the accomplishments made by our volunteer board members over the years and their missteps. It is not easy to be on a homeowner’s association Board and it is, for the most part, a thankless job. In part, I prepared this report to acknowledge those efforts, to the many deliberations, conversations, dissention, compromise, discussion, cooperation, mistakes and accomplishments board members have made over the years.

This community is currently in crisis. As John points out, our revenue reserves are low and our legal fees continue to rise. But it about more than the money, it is about the members themselves. There are interested and entrenched parties that are dividing the community with their narrow interests, unable to find compromise or even collegiality and the results have led to lawsuits, misrepresentations of facts and personal insults. There is a general lack of trust and generosity in the community. Until this is solved, our financial standing and community health will continue to be in jeopardy.
TCHA Revenue and Cost Report  
Prepared by Sue Ellen McCann, 1/18/18  
An update to the 12/2/17 Treasurer's Report prepared by John Gray

Sources for this report: John Gray's Treasurer's Report (12/2/17), Board minutes from 2001 to 2017, reconciled TCHA QuickBooks records, TCHA invoices, Redwood Credit Union bank statements, Civil Code 845, conversations with TCHA members and contractors, 2017 reports from TCHA Roads Manager and correspondence with the TCHA CPA. All financial findings are based on the current reconciled account records of the TCHA and are subject to a possible upcoming audit.

References to slide numbers refer to the page number of John Gray's Treasurer’s Report slide presentation given on 12/2/17. The Treasurer’s Report, supplementary and support documents can be found at the end of this report.

Cash on Hand (Slide 3)  
Here is a review of cash on hand (Fund Balances) from May 1, 2013 through August 31, 2017 (three fiscal years plus four months) looking at revenue deposited and payments made. TCHA fiscal year runs from May to April in any given year. All figures in this report are based on a cash analysis of deposits and payments. [See supplementary materials for more detail.]

<table>
<thead>
<tr>
<th>Summary of Deposits to Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 13-14</td>
</tr>
<tr>
<td>Deposits</td>
</tr>
<tr>
<td>Payments</td>
</tr>
<tr>
<td>End Balance</td>
</tr>
<tr>
<td>Difference in Fund Balance</td>
</tr>
<tr>
<td>Average Difference of Deposits to Payments</td>
</tr>
</tbody>
</table>

Overview - Cash on hand as of 8-31-17  
Operating Funds: $ 75,495  
Capital Reserve Fund (roads, trails, etc.): $ 94,178  
Performance Bonds: $ 58,300  
Fund Balance: $ 227,973
Spend down between May 1, 2013 to August 31, 2017 = $113,685 (50%) over 52 months or an average of $26,235 a year.

As of 9/1/17, there was about $30,000 in collectable outstanding dues and potentially $25,000 in forfeited performance bonds that could be added to our revenue to increase the fund balance and offset the spend down by almost half.

The spend down is in part due to an annual loss of Membership Due Revenue ($67,502) over three years owing to the departure of Unit One (49 lots x $459.20 x 3 years) and an increase in expenses -- a pay out of the Unit 1 Road Fund ($ 38,275.46) and legal. Expenses increased between Sept 2017 and December 2017 due to the need for new insurance and lingering legal fees which may continue throughout FY 17-18. To demonstrate the loss of revenue and the increase in expense, below are figures based on loss membership dues and a comparison of expenses over the last four fiscal years.

<table>
<thead>
<tr>
<th>Loss of Revenue and Increase in Expense</th>
<th>FY15-16</th>
<th>FY 16-17</th>
<th>May - Aug 17</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction in Revenue - Departure of Unit 1</td>
<td>-22,600</td>
<td>-22,600</td>
<td>-22,600</td>
<td>-67,500</td>
</tr>
<tr>
<td>Increase in Expense (comparing FY 13-15 to FY 15-17, May to Aug 2017)*</td>
<td>-17,475</td>
<td>-17,475</td>
<td>-5,825</td>
<td>-40,775</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Monthly Expense</td>
<td>-9001</td>
<td>-10,457</td>
</tr>
</tbody>
</table>

*Average Increase in Expenses FY 15-17  $ -1,456 $ -17,475

Contributing to the overall decrease in operating funds, is the fact that our Dues have not kept up with inflation. Inflation is the rate at which the general level of prices for goods and services is rising and purchasing power of currency is falling. On 11/1/05, the Board voted to
raise the dues by 20% over two year to $459.20 where they have remained since 2007. During that time inflation has increased in California by 22.5% according to the California Department of Finance (2018). Given that, to keep up with inflation, the TCHA Dues should be $562 or an overall annual revenue increase of $22,000 or close to our loss revenue from the departure of Unit 1. Raising dues, while perhaps unpopular, is something the TCHA needs to discuss with the membership. The Board would also need to review current Civil Code and Davis Stirling for application and procedure.

One of our most important assets is our roads. Between FY 14-15 and 16-17, $80,968 was spent on road maintenance or an average of $30,000 a year, slightly less than the previous two years. In FY 13-14, $32,500 was spent on road maintenance. In FY12-13, $36,754 was spent.

The TCHA Lyons Court office will be covered later in the report.

**Legal Fees (Slide 4 & 6)**

Legal fees between 5/1/14 to 9/20/17 (FY14-15 to FY 16-17 plus May to September 2017) are $51,174. In addition, $15,887 was paid in indemnity legal fees. The breakdown of these fees is below.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admin (copies)</td>
<td>$162</td>
</tr>
<tr>
<td>ByLaws, CCR, etc.</td>
<td>$1,580</td>
</tr>
<tr>
<td>Culcasi / Todd Incident</td>
<td>$2,829</td>
</tr>
<tr>
<td>General (contracts, corres.)</td>
<td>$5,035</td>
</tr>
<tr>
<td>Theft of Office Documents</td>
<td>$6,238</td>
</tr>
<tr>
<td>Board matters</td>
<td>$7,789</td>
</tr>
<tr>
<td>Pedestrian Easements</td>
<td>$19,392</td>
</tr>
<tr>
<td>Indemnity</td>
<td>$24,006</td>
</tr>
<tr>
<td></td>
<td>$66,423</td>
</tr>
</tbody>
</table>

Over the course of many Boards and fiscal years, the Board required legal assistance to interpret and enforce the ByLaws and CC&R, investigate altercations, interpret State and County regulation and codes and possible criminal activities, pedestrian and other easements and insurance claims, contracts and membership inquiries. When appropriate the Board has reimbursed Board members for legal expenses such as in the case when Tom Giacinto retained an easement attorney recommended by the County and the Board was seeking clarity on the TCHA public and private pedestrian easements. Other times, members of the community have paid for legal fees as in the case of the dissolution of Unit 1.

Unit 1 legal fees, dating from 2/25/15 to 4/27/15 totaled $5200. Members of Unit 1 paid $3,575 of the fees regarding the separation of Unit 1 from the TCHA and the TCHA paid for fees associated with clarifying Unit 2’s access to Unit 1’s easements, amendments of CC&R’s to remove Unit 1 and an opinion on releasing road funds to Unit 1. That totaled about $1,625.
Several Boards have asked for legal advice on the ability of Directors to serve on the Board. In one case, in 2014 the Board wanted clarification that a Director was in compliance with the CC&R’s and in good standing and able to serve on the Board. In another case the Board was concerned about the behavior of a Director toward other Directors, which several considered threatening and unprofessional.

Unfortunately, there are more legal fees on the horizon. We have two claims that were being reviewed by our attorney at this time.

**Legal costs for Pedestrian Easements (Slide 7)**
The legal expensing for review of TCHA Easements was $19,392 from May 2014 to August 2017. 96% of those charges or $18,712 was spent responding to particular members who wished to vacate the trail on their property then provide an alternative trail to the TCHA Pedestrian Easements. The Pedestrian Easements are recorded on the Timber Cove subdivision map (see the map legend for the routes on the subdivision map) and cited in the CC&R’s. Rather than “targeting” these particular members, as stated in the Treasurer’s Report, it would be more accurate to say the Board was responding to the actions of these TCHA members. From reviewing the records and Board minutes, threats of litigation and various legal opinions, the Board responded to circumstances presented to them -- addressing proper procedures for adjusting an easement, responding to a petition to the Sonoma County Board of Supervisors, researching the legal status of “private easements”, conducting an Internal Dispute Resolution, responding to threats of a lawsuit and seeking resolution to an alternative trail. Neither side was able to come to agreement or resolution which is very unfortunate. The Board continues to search for a solution through our legal representatives.

Some in the community have stated that this dispute is only about 500’ of trail. The outcome and resolution of this particular 500’ of trail will have repercussions beyond this 500’ and set a precedent for other property owners with Pedestrian Easements.

Interest in the trails is shared by many in the community. They were a standard agenda item for many years at Board meetings until they were dropped from the agenda in May 2009 and then reappeared in April 2014. The trails have for the most part been maintained through member volunteers who organized “work days” to clear and mark the trails. The trails also became part of the TCHA evacuation plan in the case of a wildfire. This plan was the result of collaboration between past Boards, the Timber Cove Fire Department and community members. In 2016-17, the TCHA hired a surveyor to officially survey and mark the trails.

**The Culcasi / Todd Incident (Slide 8 & 9)**
In early 2016, there was an altercation between TCHA staff member Brian Todd and TCHA Board director Sal Culcasi. The original charge, a misdemeanor, was elevated to a felony and during the preliminary hearing in Santa Rosa Superior Court the case was dismissed. Todd filed an indemnity claim with the TCHA. The insurance company denied the claim and the TCHA hired an attorney to require the insurance company to pay the claim and ultimately were not
successful at a cost of $7,679. On the advice of council, Todd was paid the indemnity claim for $15,249. Other fees were incurred to make a settlement and the final costs to settle the claim was $24,006.

Separately, there were legal costs associated with the incident itself and research on possible liability to the TCHA. TCHA legal counsel recommended a private investigator be hired. Legal advice on these matters and the private investigator combined costs totaled $4,779.

This unfortunate incident is more professionally referred to as the "Culcasi/Todd Incident".

Lyons Court (Slide 10-14)
The Lyons Court office/facility has a long history and has spanned several Boards from 2003 to the present. Board members have improved the property, left it vacant and have attempted to sell the property without input from the community. Surveys have been conducted to determine the will of the community with a low return response rate. In the end, the property was gifted to the TCCWD as a shared space for use by both organizations as an office, community gathering space and to an organization that has the resources and status to receive donations to complete improvements to the building.

Some background. Per the TCHA minutes, the TCHA Board sought a relationship with the TCCWD in support of an office dating back to 2001. Once land was given to the TCHA by the Ansel Adams Family in 2003 and a structure was donated and placed on that property, the TCHA Board improved the office/storage shed at Lyons Court between 2003 and 2009 in the amount of $88,396 and set up a "Surplus" fund account for that purpose. As well, community members volunteered their labor and materials to develop the property. In 2009, the Board halted work on the office/storage shed due to "roadblocks" that occurred when they applied for a septic system plan check with Sonoma County. There was discussion about selling the property at the Annual Meeting in August of 2009.

In 2013, the Board sent out a survey to the members asking the community about their preference of what to do with the property -- put in a garden, create a clubhouse, hard court for sports, office or do nothing. There were 54 responses out of 263 possible and the majority vote was "to do nothing". The Board sought legal advice on the possibility of renting or selling Lyons Court. They were informed by legal counsel they would need to seek approval by the membership if the value of the property "exceeds 5% of the gross of a sale budgeted expenses for that fiscal year." In 2014, the Board approved a property merger with an adjacent property and sought a septic perc test. If the lot did not per for one or more bathrooms, than they would "proceed with listing the property for sale". The motion carried, all in favor. The motion was not brought to the membership. The property perced for a ½ bedroom. Given this, the property could not be used for a living space. The Board had the property appraised by a real estate agent and the agent suggested the property would sell for between $35,000 and $40,000. There are rumors that a TCHA member offered to buy the property for $10,000 which has not been verified.
In 2014, the Board discussed having an open dialogue with and researching use or sale of the property to TCCWD. In 2015, a motion was made to turn over the office over to the Water District with the understanding that TCHA could use it and to "put it out to the community for their response after determining its value and have a legal opinion regarding our ability to do so". In July, 2015, a motion passed to gift the originally donated property and office to the TCCWD "with the understanding that it be shared equally between the two agencies." The TCCWD accepted the offer.

In August 2015, a Quitclaim Deed was filed with the County and a memo of understanding was signed between the two agencies. Improvements were made to the property and the County agreed to renew the septic permit for .5 bedroom/bath. The transfer was reported at the Annual Meeting and there was no public comment for or against this action.

In 2017, TCHA was made aware of problems with the Quitclaim Deed and that the transfer stalled. The County requested a corrected property description and regardless of whether they were supplied with that description, the County would go ahead and process the transfer of the property. In January 2018, the Board agreed to supply the correct property description.

The 2014 property taxes list the land value at $28,597 with no value listed for the structure. In 2015, the land was valued at $2000 with no value to the structure.

**Unit 1 Road Fund (Slide 10-15)**

The first mention of the Unit 1 Road Fund appears in the 6/29/15 Board minutes. The second mention is in the 8/15/15 minutes stating that the Fund was created using 18% of the Reverse Funds as of 3/31/15. The 18% represents the percentage of the Unit 1 membership who had withdrawn from the TCHA. There was no public comment for or against this action at the meeting. There was no discussion of the Roads Fund at the 7/20/15 meeting and it was not on the agenda. A check for $38,275.46 was issued on 7/20/15 and cleared the account on 8/5/15.

The advice from the TCHA attorneys was that once dues have been collected, the TCHA is not obligated to return the money to TCHA members. However, the board may at it's will vote to return monies if they felt a compelling reason to do so. According to Board members at the time, the board felt a moral obligation to return the money paid by Unit 1 property owners for the Unit 1 road repairs that had been neglected by the former boards. This fact of neglect was made evident by supporting letters from property owners in Unit 1 and by visual inspection and pictures presented to the Board. It was also noted that "California Statute 845--Maintaining our common private roads/easements", specifies that anyone who uses an easement in a subdivision is obligated to pay for its maintenance. This would apply to all the roads in the TCHA even if there was no association.

Improvements to Unit 1 Roads were made between June and November 2016 using all of the returned funds. Improvements were made to Cypress Road and Pine Court to Ruoff Road
using Mann Excavating as the contractor. In speaking with members of Unit 1, it was confirmed they have every intention of maintaining their roads and are in the process of developing a community road agreement. It would be of interest for Unit 2 representatives to be a part of that conversation to retain a positive and cooperative relationship towards these easements and the continued use by Unit 2. [See supplementary materials for more information]

**Trail Maintenance Costs (Slide 16 and see notes above as well)**

Trail costs between May 2016 to August 2017 were $12,620 including trail clearing and maintenance for a dedication trail to John Sperry and a trail survey. Parts of the trail survey were repeated due the removal of markers, missing markers and incomplete information. There are a few places that still need to be marked but as long as the survey markers are not removed, there should not be a need to conduct this survey again. Permanent markers should be put in place.

Previous surveys have been conducted by member volunteers to mark the trails. Notes of these activities can be found in the Board Minutes such as this one in 2003 -- ""There was a work day on the trail that had been cleared from Umland to Smith Court trail. It has been marked temporarily with orange paint for easy identification". The John Sperry trail work was supervised by John Howland, the work mainly performed by volunteers and he was reimbursed for his expenses to hire paid workers. The majority of trail maintenance, marking and restoration over the years has been done by member volunteers.

TCHA will need to continue to hire workers for heavy manual labor needed for trail restoration with TCHA funds and with money raised by the Timber Cove Trail Supporters. The money raised by the Trail Supporters is being processed and held by the Timber Cove Foundation. They have currently raised $4,000.

Legal fees spent on the easements were used to clarify the legal status of the trails and to respond to legal challenges brought by members of the community. At one point in 2016, this matter was close to resolution. During an Internal Dispute Resolution (IDR) between the property owner and the Board, agreement had been reached for an alternative trail between the property owners, Board representatives and legal counsel only to be rejected a short time later by the property owner.

**Summary of some costs (Slide 17)**

- From 2003 to 2009, TCHA set aside surplus funds to pay for capital improvement to the Lyon's Court property in the amount of $88,396.
- Over the years, various Boards improved the property, abandoned it, attempted to sell it without a vote from the membership and finally gifted it to the TCCWD. According to Board Minutes, there was no public comment for or against selling the property or gifting it.
- $51,174 has been spent on legal fees between May 2014 to August 2017, as well as an indemnity payment of $15,887.
- $18,712 has been spent to clarify the legal status of private and public easements. Remaining funds were used to clarify access to easements in Unit 1.
- $12,620 was spent on trail maintenance to dedicate a trail to John Sperry and to conduct a survey of the trails. Like the roads, the trails are a part of the community evacuation plan and the majority of trail maintenance is provided by the community.
- Members of Unit 1 paid for the cost of the Unit 1 separation. Additional funds were paid by the TCHA to clarify Unit 2’s access to easements on Unit 1 property. Costs for this are listed above under legal fees.
- $2829 was spent in legal fees on the Calcusi / Todd incident. In addition, the Board hired an investigator, at the suggestion of legal counsel for $1950. The investigator’s report supported the findings of the Superior Court.
- $38,275 was returned to Unit 1 for their road fund and was discussed at the June and August 2015 Board meetings. The funds were spent on repairing roads in Unit 1 including sections of road used by Unit 2 members.
- Over the years, $14,404 in funds have been used by the Board to perform many activities in response to situations that needed legal advice including correspondences from members, contracts, member and Board disputes and staff. In past years, the Board has also sought advice on revising and/or updating the ByLaws and CC&Rs. In some cases, changes were made without proper procedures and were reversed.

**Status on Taxes, standing with the State and Account Reviews (Slide 18)**

- Payroll taxes -- Between early 2015 to late 2016, payroll taxes were inconsistently paid. All payroll taxes were brought current between March and June 2017 and some interest and late fees were levied.
- There are about $6000 in possible fines for late payment of payroll taxes and not filing W-2’s for 2014. Our CPA is currently negotiating a settlement.
- Annual State and Federal returns for 2014 to 2016 have been revised and filed.
- The CPA is currently working on State and Federal returns for FY 16-17 and those returns should be filed in January. Thank you to John Gray for his work on the tax returns.
- A California “suspension” of the TCHA caused by not filing the State return for 2013 and other State compliance paperwork was cleared in 2017.
- Financial reviews for FY 2014-15 & 2015-16 have been completed and are being reviewed.
- The current Treasurer is recommending an audit of the financial records for the past three fiscal years.

**Road Status (Slide 19)**

- Between FY 14-15 and 16-17, $80,968 was spent on road maintenance or an average of $30,000 a year, slightly less than the previous two years. In FY 13-14, $32,500 was spent on road maintenance. In FY12-13, $36,754 was spent.
Between January and June 2017, the Road Manager and Board Members developed a five year plan for road maintenance and widening the roads from 12 feet to 18 feet with cost estimates for seven years. [See supplementary materials].

In August 2017, the Board agreed to delay work on road maintenance until after the Board elections in August due to the decrease in fund balances and increased cost for legal expenses. The new Board would need to be included on the deliberation on future expense for the roads and raising revenue.

Now that the financial records are up to date, an audit of the Reserve Fund set aside for maintenance and repair of the roads, brush removal, culvert replacement and redwood road sign needs to be conducted.

Road work with Unit 1

- Work done on the roads in 2016 included widening the turnout and intersection at Ruoff and Hwy 1. This section of the road is in Unit 1 and used by residents of both Units. The turnout and road were widened from 12’ to 20’ for safety reasons and to allow for ease of vehicles to pass each other travelling up or down Ruoff.
- The turn out is used by Unit 2 residents and vehicles that service Unit 2 including emergency vehicles, and USPS, FedEx and UPS to collect and deliver mail and packages. Over half the mailboxes belong to residents in Unit 2.
- Garbage trucks use this intersection to service much of Unit 2 and school busses also turn in (or out) of this location to pick up and return Unit 2 students. The fact that they occupy the roadway at the intersection while trying to make a turn was problematic in terms of safety.
- The work also eliminated gravel being kicked up onto the road surface by drivers accelerating from a dead stop across the gravel shoulders in order to merge onto Highway 1. Eliminating the gravel made for safer and easier acceleration and braking.
- It was agreed the work would benefit both communities and Unit 2 contributed $13,000 towards completing the work. Beyond collaborating with Unit 1 to complete this work, as mentioned earlier “California Statute 845–Maintaining our common private roads/easements” specifies that anyone who uses an easement in a subdivision is obligated to pay for its maintenance.
- There is a shared benefit in working with and supporting Unit 1 road maintenance. Without cooperation, Unit 1 could form an independent road association and charge Unit 2 for use of their asset. The concept of not supporting or cooperating with Unit 1 residents on road maintenance could lead to even more expense and lack of access.

Insurance (Slides 20-27)

- In Nov 2017, John Gray and TCHA Attorney Martin Hirsch reviewed the TCHA Insurance application with the TCHA insurance broker and found multiple mistakes. The previous Board President had not reviewed the application prior to signing it which he deeply regrets.
- As a result the Insurance Company cancelled the insurance effective 12-27-17 due to listing the incorrect number of undeveloped lots.
• Thank you John Gray, Bob Leichtner and Martin Hirsch for working with our insurance broker and securing new insurance. Unfortunately, the cost of the insurance is almost three times more expensive than our last policy.
• Once remaining legal claims are no longer an issue, our insurance rate could drop in cost as much as 20% and dropping to under $10,000 annually according to our insurance broker.

**Concerns and Next Steps (Slides 28-29)**
• While revenue has dropped, expenses have increased due to growing costs in legal and insurance expense.
• Dues have not increase for ten years while inflation has increased in California by 22.5%.
• There are $21,050 in apparent uncollectable dues on three properties:
  o 109-430-03 - $9,797 in uncollected dues dating back to 2006. A study of Board minutes from 2006 or 2007 may reveal that a lien was placed.
  o 109-420-09 - $4,816 in uncollected dues dating back to 2010. Lien placed on property in July 2010 according to Board minutes.
  o 109-430-15 - $6,436 in uncollected dues dating back to 2010. Lien placed on property in July 2010 according to Board minutes.
• Research was done on these properties in 2017. Thank you John Gray for following up on possible collection. The TCHA evidently adopted a collection policy in 2006 which should be reviewed.
• Other outstanding dues have been negotiated or sent to collections.
• Follow up on the review and transfer of possible fortified performance bonds should be completed.
• FY 2016-17 State and Federal returns need to be completed.
• Adoption of financial procedures should be implemented.
• A Reserve Study needs to be conducted to review the funds set aside for “major components that the Association is obligated to repair, replace, restore, or maintain.” These components could include: road maintenance, brush removal, culvert replacement, redwood signs and maintenance of the trails.
• A review of the five year plan for the roads should be reviewed and adjusted for current resources.
• A trail maintenance program needs to be designed and adopted.
• Fire abatement remains an important safety issue.
• Perhaps the biggest issue for the future is and will be access to water.
• Election protocols should be adopted.
• The goals of financial audit of the last three fiscal years (2014-2017) should examined for outcomes and cost.

Supplemental and supporting documents follow.
### Summary of Deposits to Expense

<table>
<thead>
<tr>
<th></th>
<th>FY 13-14</th>
<th>FY 14-15</th>
<th>FY 15-16</th>
<th>FY 16-17</th>
<th>Total</th>
<th>Monthly Average</th>
<th>Annual Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>B. Balance</td>
<td>329,799</td>
<td>341,588</td>
<td>305,940</td>
<td>290,996</td>
<td>329,799</td>
<td>291,910</td>
<td>237,155</td>
</tr>
<tr>
<td>Deposits</td>
<td>119,484</td>
<td>87,666</td>
<td>107,568</td>
<td>81,780</td>
<td>73,377</td>
<td>73,377</td>
<td>66,055</td>
</tr>
<tr>
<td>Expense</td>
<td>-107,836</td>
<td>-108,306</td>
<td>-113,200</td>
<td>-137,772</td>
<td>-64,505</td>
<td>-53,100</td>
<td>-50,000</td>
</tr>
<tr>
<td>E. Balance</td>
<td>341,658</td>
<td>300,940</td>
<td>296,054</td>
<td>219,101</td>
<td>219,101</td>
<td>227,973</td>
<td>227,973</td>
</tr>
<tr>
<td>Difference in Beginning &amp; Ending Balance</td>
<td><strong>113,685</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Difference of Income to Expense</td>
<td>-1958</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-23488</td>
<td></td>
</tr>
</tbody>
</table>

### Expense Detail

<table>
<thead>
<tr>
<th></th>
<th>FY 13-14</th>
<th>FY 14-15</th>
<th>FY 15-16</th>
<th>FY 16-17</th>
<th>Total</th>
<th>Monthly Average</th>
<th>Annual Average</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goods and Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting</td>
<td>1,460.00</td>
<td>1460</td>
<td>0</td>
<td>0</td>
<td>5832</td>
<td>8752</td>
<td>2,019.59</td>
</tr>
<tr>
<td>Architectural Review</td>
<td>925.00</td>
<td>1450</td>
<td>1435</td>
<td>0</td>
<td>3610</td>
<td>3810</td>
<td>879.23</td>
</tr>
<tr>
<td>Bank Charges</td>
<td>878.27</td>
<td>0</td>
<td>31</td>
<td>0</td>
<td>109</td>
<td>909</td>
<td>209.89</td>
</tr>
<tr>
<td>Dues and Licenses</td>
<td>10.00</td>
<td>0</td>
<td>0</td>
<td>15</td>
<td>0</td>
<td>15</td>
<td>3.46</td>
</tr>
<tr>
<td>Fed and State Fees/Taxes</td>
<td>10.00</td>
<td>55</td>
<td>0</td>
<td>0</td>
<td>305</td>
<td>370</td>
<td>85.38</td>
</tr>
<tr>
<td>Insurance – Libr. and W. Comp.</td>
<td>5,643.41</td>
<td>1039.00</td>
<td>5941.00</td>
<td>8457.00</td>
<td>7691</td>
<td>26671</td>
<td>6,616.42</td>
</tr>
<tr>
<td>Legal</td>
<td>525.00</td>
<td>5623.00</td>
<td>11092.00</td>
<td>11698.00</td>
<td>24824</td>
<td>53362</td>
<td>12,406.67</td>
</tr>
<tr>
<td>Meeting</td>
<td>85</td>
<td>169</td>
<td>0</td>
<td>0</td>
<td>253</td>
<td>5</td>
<td>58.45</td>
</tr>
<tr>
<td>Mileage</td>
<td>2,234.04</td>
<td>2381.00</td>
<td>2313.00</td>
<td>2366.00</td>
<td>477</td>
<td>9771</td>
<td>2,254.89</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,151.36</td>
<td>488.00</td>
<td>0</td>
<td>0</td>
<td>1639</td>
<td>32</td>
<td>378.24</td>
</tr>
<tr>
<td>Office Supplies &amp; Equip</td>
<td>2,129.61</td>
<td>1697.00</td>
<td>2423.00</td>
<td>5712.00</td>
<td>4932</td>
<td>16890</td>
<td>3,897.72</td>
</tr>
<tr>
<td>Performance Bonds</td>
<td>18000.00</td>
<td>8000.00</td>
<td>5000.00</td>
<td>31000</td>
<td>19860</td>
<td>31000</td>
<td>7,465.06</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>157.86</td>
<td>192</td>
<td>0</td>
<td>0</td>
<td>349</td>
<td>7</td>
<td>80.82</td>
</tr>
<tr>
<td>Reserve Study</td>
<td>1,000.00</td>
<td>400</td>
<td>0</td>
<td>0</td>
<td>1400</td>
<td>27</td>
<td>323.68</td>
</tr>
<tr>
<td>Utilities</td>
<td>4,895.77</td>
<td>4177.00</td>
<td>2579.00</td>
<td>3311.00</td>
<td>1161</td>
<td>16242</td>
<td>3,720.84</td>
</tr>
<tr>
<td><strong>Total G&amp;S</strong></td>
<td>21006.00</td>
<td>56962.00</td>
<td>33783.00</td>
<td>38744</td>
<td>45221</td>
<td>173116</td>
<td>40,088.33</td>
</tr>
<tr>
<td><strong>Maintenance and Repairs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forest Management</td>
<td>8,029.20</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>8029</td>
<td>154</td>
<td>1,552.89</td>
</tr>
<tr>
<td>Lyons Court Maintenance</td>
<td>503.70</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>504</td>
<td>10</td>
<td>116.24</td>
</tr>
<tr>
<td>Road Maintenance</td>
<td>32,478.89</td>
<td>33869.00</td>
<td>6375.00</td>
<td>41034.00</td>
<td>11,344</td>
<td>2182</td>
<td>6,719.44</td>
</tr>
<tr>
<td>Road Sign Maintenance</td>
<td>1450.00</td>
<td>1460.00</td>
<td>0</td>
<td>0</td>
<td>2890</td>
<td>56</td>
<td>666.02</td>
</tr>
<tr>
<td>Trail Maintenance</td>
<td>0</td>
<td>8994.00</td>
<td>3626.00</td>
<td>12620.00</td>
<td>243</td>
<td>2,912.31</td>
<td></td>
</tr>
<tr>
<td>Tree Maintenance</td>
<td>1456.00</td>
<td>875</td>
<td>4199.00</td>
<td>6490</td>
<td>125</td>
<td>1,497.63</td>
<td></td>
</tr>
<tr>
<td>Unit 1 Road Fund</td>
<td>30275.00</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>30275</td>
<td>736</td>
<td>8,332.86</td>
</tr>
<tr>
<td><strong>Total M &amp; R</strong></td>
<td>41910.00</td>
<td>35025.00</td>
<td>46875.00</td>
<td>55618</td>
<td>3628</td>
<td>182252</td>
<td>61,965</td>
</tr>
<tr>
<td><strong>Personnel</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>33,931.08</td>
<td>29149.00</td>
<td>22643.00</td>
<td>31860.00</td>
<td>906</td>
<td>123488</td>
<td>28,497.16</td>
</tr>
<tr>
<td>Payroll Expense/Taxes</td>
<td>11,689.32</td>
<td>7251.00</td>
<td>9800.00</td>
<td>9196.00</td>
<td>7739</td>
<td>45578</td>
<td>10,540.64</td>
</tr>
<tr>
<td>Consultants</td>
<td></td>
<td>0</td>
<td>4355.00</td>
<td>2014.00</td>
<td>6320</td>
<td>123</td>
<td>1,470.00</td>
</tr>
<tr>
<td>Total Personnel</td>
<td>45329.00</td>
<td>36406.00</td>
<td>32443.00</td>
<td>45412.00</td>
<td>15859</td>
<td>175333</td>
<td>40,567.11</td>
</tr>
</tbody>
</table>

*Indicators of Expense line items that are necessary and/or growing in expense.

### Loss of Income and Increase in Expense

<table>
<thead>
<tr>
<th></th>
<th>FY 15-16</th>
<th>FY16-17</th>
<th>May 17 - Aug 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Loss</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction in Revenue due to departure of Unit 1 (18.6%)</td>
<td>-22,500.80</td>
<td>-22,500.80</td>
<td>-22,500.80</td>
</tr>
<tr>
<td>Increase Expense</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(comparing first two yrs to last two years)</td>
<td>-17,475.50</td>
<td>-17,475.50</td>
<td>-5825.17</td>
</tr>
<tr>
<td><strong>Total Loss income and increase Expense</strong></td>
<td><strong>-39,976.30</strong></td>
<td><strong>-39,976.30</strong></td>
<td><strong>-28,325.97</strong></td>
</tr>
</tbody>
</table>

*Represents a loss of revenue and savings

### Average Expense Increases

- **Monthly Expense FY 13-14 & 14-15**: -9,000.94
- **Monthly Expense FY 15-16 & 16-17**: -10,457.23
- **Monthly Increase in Expense**: 1,456.29
- **Annual Increase in Expense**: 17,479.50
- **4 month increase**: 5,829.17
### Timber Cove Homes Association
#### Expenses by Vendor Detail
April 1, 2015 through September 20, 2017

<table>
<thead>
<tr>
<th>Date</th>
<th>Inv. No</th>
<th>Inv. Total</th>
<th>Ck No</th>
<th>Payments</th>
<th>JG Numbers</th>
<th>Se Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/9/2017</td>
<td>Contract</td>
<td>$2,500.00</td>
<td>7546</td>
<td>$2,500.00</td>
<td>2,700.85</td>
<td>0.00</td>
</tr>
<tr>
<td>1/9/2017</td>
<td>78554</td>
<td>$200.50</td>
<td>7549</td>
<td>$200.50</td>
<td>1,236.62</td>
<td>2568.46</td>
</tr>
<tr>
<td>2/3/2017</td>
<td>78690</td>
<td>$1,027.86</td>
<td>7712</td>
<td>$1,027.86</td>
<td>510.00</td>
<td>510.00</td>
</tr>
<tr>
<td>06/07/17</td>
<td>79284</td>
<td>$2,568.46</td>
<td>7743</td>
<td>$2,568.46</td>
<td>1,236.62</td>
<td>2568.46</td>
</tr>
<tr>
<td>07/06/17</td>
<td>79413</td>
<td>$510.00</td>
<td>7760</td>
<td>$510.00</td>
<td>510.00</td>
<td>510.00</td>
</tr>
<tr>
<td>08/07/17</td>
<td>79565</td>
<td>$726.50</td>
<td>7806</td>
<td>$726.50</td>
<td>1,236.62</td>
<td>2568.46</td>
</tr>
<tr>
<td>09/06/17</td>
<td>79706</td>
<td>$145.39</td>
<td></td>
<td>$145.39</td>
<td>145.39</td>
<td>145.39</td>
</tr>
<tr>
<td><strong>Total Abbey, Weitzenberg, Warren &amp; Emery, P.C.</strong></td>
<td><strong>$7,678.71</strong></td>
<td><strong>$7,678.71</strong></td>
<td><strong>10,757.17</strong></td>
<td><strong>6480.35</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Inv. No</th>
<th>Inv. Total</th>
<th>Ck No</th>
<th>Payments</th>
<th>JG Numbers</th>
<th>Se Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>05/29/14</td>
<td>5053</td>
<td>$385.00</td>
<td>7285</td>
<td>$385.00</td>
<td>385.00</td>
<td>385.00</td>
</tr>
<tr>
<td>08/04/14</td>
<td>5195</td>
<td>$221.50</td>
<td>7303</td>
<td>$221.50</td>
<td>221.50</td>
<td>221.50</td>
</tr>
<tr>
<td>09/03/14</td>
<td>5262</td>
<td>$140.00</td>
<td>7316</td>
<td>$140.00</td>
<td>140.00</td>
<td>140.00</td>
</tr>
<tr>
<td>10/10/14</td>
<td>6251</td>
<td>$200.00</td>
<td>7325</td>
<td>$200.00</td>
<td>200.00</td>
<td>200.00</td>
</tr>
<tr>
<td>10/31/14</td>
<td>5392</td>
<td>$385.00</td>
<td>7333</td>
<td>$385.00</td>
<td>385.00</td>
<td>385.00</td>
</tr>
<tr>
<td>10/31/14</td>
<td>5392</td>
<td>$140.00</td>
<td>7333</td>
<td>$140.00</td>
<td>140.00</td>
<td>140.00</td>
</tr>
<tr>
<td>10/31/14</td>
<td>5392</td>
<td>$70.00</td>
<td>7333</td>
<td>$70.00</td>
<td>70.00</td>
<td>70.00</td>
</tr>
<tr>
<td><strong>Total Barbara Zimmerman Law Offices</strong></td>
<td><strong>$665.00</strong></td>
<td><strong>$665.00</strong></td>
<td>665.00</td>
<td>665.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Inv. No</th>
<th>Inv. Total</th>
<th>Ck No</th>
<th>Payments</th>
<th>JG Numbers</th>
<th>Se Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/01/14</td>
<td>5446</td>
<td>$385.00</td>
<td>7340</td>
<td>$280.00</td>
<td>385.00</td>
<td>385.00</td>
</tr>
<tr>
<td>12/01/14</td>
<td>5446</td>
<td>$70.00</td>
<td>7340</td>
<td>$84.50</td>
<td>70.00</td>
<td>70.00</td>
</tr>
<tr>
<td><strong>Total Barbara Zimmerman Law Offices</strong></td>
<td><strong>$364.50</strong></td>
<td><strong>$364.50</strong></td>
<td>1,029.00</td>
<td>280.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Inv. No</th>
<th>Inv. Total</th>
<th>Ck No</th>
<th>Payments</th>
<th>JG Numbers</th>
<th>Se Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/06/15</td>
<td>5504</td>
<td>$70.00</td>
<td>7344</td>
<td>$70.00</td>
<td>70.00</td>
<td>70.00</td>
</tr>
<tr>
<td>02/06/15</td>
<td>5574</td>
<td>$560.00</td>
<td>7357</td>
<td>$560.00</td>
<td>560.00</td>
<td>560.00</td>
</tr>
<tr>
<td>02/06/15</td>
<td>5574</td>
<td>$37.50</td>
<td>7357</td>
<td>$37.50</td>
<td>37.50</td>
<td>37.50</td>
</tr>
<tr>
<td><strong>Total McOmber Law</strong></td>
<td><strong>$667.50</strong></td>
<td><strong>$667.50</strong></td>
<td>667.50</td>
<td>667.50</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Inv. No</th>
<th>Inv. Total</th>
<th>Ck No</th>
<th>Payments</th>
<th>JG Numbers</th>
<th>Se Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2/21/2015</td>
<td>1,000.00</td>
<td>$1,000.00</td>
<td>7359</td>
<td>$1,000.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total McOmber Law</strong></td>
<td><strong>$2,629.39</strong></td>
<td><strong>$2,629.39</strong></td>
<td>2,206.44</td>
<td>2206.44</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Inv. No</th>
<th>Inv. Total</th>
<th>Ck No</th>
<th>Payments</th>
<th>JG Numbers</th>
<th>Se Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/29/15</td>
<td>823.50</td>
<td>$823.50</td>
<td>7412</td>
<td>$823.50</td>
<td>823.50</td>
<td>823.50</td>
</tr>
<tr>
<td><strong>Total J.Kapchok</strong></td>
<td><strong>$823.50</strong></td>
<td><strong>$823.50</strong></td>
<td>823.50</td>
<td>823.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>Value 1</td>
<td>Value 2</td>
<td>Value 3</td>
<td>Value 4</td>
<td>Value 5</td>
<td></td>
</tr>
<tr>
<td>------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td></td>
</tr>
<tr>
<td>4/20/2015</td>
<td>88513</td>
<td>$</td>
<td>NA</td>
<td>$</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>5/20/2015</td>
<td>99052</td>
<td>$ 2,107.00</td>
<td>$</td>
<td>2,107.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6/20/2015</td>
<td>???</td>
<td>$ 65.00</td>
<td>$</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7/20/2015</td>
<td>90883</td>
<td>$ 300.00</td>
<td>$</td>
<td></td>
<td>2,550.00</td>
<td></td>
</tr>
<tr>
<td>8/20/2015</td>
<td>91061</td>
<td>$ 2,130.00</td>
<td>2,130.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9/20/15</td>
<td>91932</td>
<td>$ 2,755.00</td>
<td>4,885.00</td>
<td>2,727.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11/20/2015</td>
<td>92937</td>
<td>$ 305.00</td>
<td>7419</td>
<td>305.00</td>
<td>305.00</td>
<td></td>
</tr>
<tr>
<td>12/20/15</td>
<td>93576</td>
<td>$ 380.00</td>
<td>7424</td>
<td>380.00</td>
<td>380.00</td>
<td></td>
</tr>
<tr>
<td>1/20/2016</td>
<td>94040</td>
<td>$ 6.75</td>
<td>7447</td>
<td>$ 6.75</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>3/20/16</td>
<td>95498</td>
<td>$ 2,100.00</td>
<td>7463</td>
<td>2,100.00</td>
<td>1925.00</td>
<td></td>
</tr>
<tr>
<td>4/20/16</td>
<td>96103</td>
<td>$ 695.00</td>
<td>7476</td>
<td>$ 695.00</td>
<td>795.00</td>
<td></td>
</tr>
<tr>
<td>5/20/16</td>
<td>96707</td>
<td>$ 315.00</td>
<td>7484</td>
<td>315.00</td>
<td>315.00</td>
<td></td>
</tr>
<tr>
<td>6/20/16</td>
<td>97234</td>
<td>$ 2,830.00</td>
<td>7493</td>
<td>2,830.00</td>
<td>2,830.00</td>
<td></td>
</tr>
<tr>
<td>7/20/16</td>
<td>$ 70.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/20/16</td>
<td>$ 1,100.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9/20/16</td>
<td>$ 1,170.00</td>
<td>7504</td>
<td>1,170.00</td>
<td>1,100.00</td>
<td>1,100.00</td>
<td></td>
</tr>
<tr>
<td>10/20/16</td>
<td>99624</td>
<td>$ 395.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11/20/16</td>
<td>99624</td>
<td>$ 260.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/20/16</td>
<td>99624</td>
<td>$ 60.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11/20/16</td>
<td>99624</td>
<td>$ 50.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/20/16</td>
<td>$ 765.00</td>
<td>7522</td>
<td>765.00</td>
<td>765.00</td>
<td>715.00</td>
<td></td>
</tr>
<tr>
<td>12/20/16</td>
<td>$ 680.00</td>
<td>7530</td>
<td>680.00</td>
<td>680.00</td>
<td>680.00</td>
<td></td>
</tr>
<tr>
<td>12/20/16</td>
<td>$ 100.00</td>
<td>7568</td>
<td>100.00</td>
<td>780.00</td>
<td>100.00</td>
<td></td>
</tr>
<tr>
<td>5/20/17</td>
<td>$ 50.00</td>
<td>7745</td>
<td>50.00</td>
<td>50.00</td>
<td>50.00</td>
<td></td>
</tr>
<tr>
<td>7/14/17</td>
<td>105769</td>
<td>$ 5,670.00</td>
<td>7805</td>
<td>5,670.00</td>
<td>5,670.00</td>
<td>4860.00</td>
</tr>
<tr>
<td>8/20/17</td>
<td>106430</td>
<td>$ 4,605.00</td>
<td>??</td>
<td>4,605.00</td>
<td>4,605.00</td>
<td>4,605.00</td>
</tr>
<tr>
<td>9/20/17</td>
<td>9,180.00</td>
<td></td>
<td>??</td>
<td>9,180.00</td>
<td>9,180.00</td>
<td>9,180.00</td>
</tr>
</tbody>
</table>

| Total Perry, Johnson | $ 37,328.75 | Total | $ 37,328.75 | $ 42,369 | $ 38,069 |

Sub Total

| $ 51,173.85 | $ 51,173.85 | $ 59,534.11 | $ 48,178.04 |

Brian Todd -- Indemnification

| 7/14/2017 | $ 15,248.78 | $ 15,248.78 | 15,248.78 | 15,248.78 |

Grand Total 9/20/17

| $ 66,422.63 | $ 66,422.63 | 74,782.89 | 63,428.82 |

Difference

| 8,360.26 | -2995.81 |
DIVISION 2. PROPERTY [654 - 1422] (Heading of Division 2 amended by Stats. 1988, Ch. 160, Sec. 13.)

PART 2. REAL OR IMMOVABLE PROPERTY [(755.) - 945.5] (Part 2 enacted 1872.)
TITLE 3. RIGHTS AND OBLIGATIONS OF OWNERS [818 - 855] (Title 3 enacted 1872.)

CHAPTER 2. Obligations of Owners [840 - 848] (Chapter 2 enacted 1872.)

(a) The owner of any easement in the nature of a private right-of-way, or of any land to which any such easement is attached, shall maintain it in repair.

845.

(b) If the easement is owned by more than one person, or is attached to parcels of land under different ownership, the cost of maintaining it in repair shall be shared by each owner of the easement or the owners of the parcels of land, as the case may be, pursuant to the terms of any agreement entered into by the parties for that purpose. In the absence of an agreement, the cost shall be shared proportionately to the use made of the easement by each owner.

(c) If any owner refuses to perform, or fails after demand in writing to pay the owner’s proportion of the cost, an action to recover that owner’s share of the cost, or for specific performance or contribution, may be brought by the other owners, either jointly or severally. The action may be brought before, during, or after performance of the maintenance work, as follows:

[1] The action may be brought in small claims court if the amount claimed to be due as the owner’s proportion of the cost does not exceed the jurisdictional limit of the small claims court. A small claims judgment shall not affect apportionment of any future costs that are not requested in the small claims action.

(2) Except as provided in paragraph (1), the action shall be filed in superior court and, notwithstanding Section 1141.13 of the Code of Civil Procedure, the action shall be subject to judicial arbitration pursuant to Chapter 2.5 of Title 3 of Part 3 (commencing with Section 1141.10) of the Code of Civil Procedure. A superior court judgment shall not affect apportionment of any future costs that are not requested in the action, unless otherwise provided in the judgment.

(3) In the absence of an agreement addressing the maintenance of the easement, any action for specific performance or contribution shall be brought in a court in the county in which the easement is located.

(4) Nothing in this section precludes the use of any available alternative dispute resolution program to resolve actions regarding the maintenance of easements in the small claims court or the superior court.

(d) In the event that snow removal is not required under subdivision (a), or under any independent contractual or statutory duty, an agreement entered into pursuant to subdivision (b) to maintain the easement in repair shall be construed to include snow removal within the maintenance obligations of the agreement if all of the following exist:

(1) Snow removal is not expressly precluded by the terms of the agreement.

(2) Snow removal is necessary to provide access to the properties served by the easement.

(3) Snow removal is approved in advance by the property owners or their elected representatives in the same manner as provided by the agreement for repairs to the easement.

[1] This section does not apply to rights-of-way held or used by railroad common carriers subject to the jurisdiction of the Public Utilities Commission.

(Amended by Stats. 2012, Ch. 244, Sec. 1. (AB 1927) Effective January 1, 2013.)
In June 2016 I filled out a set of what I am calling Road Checker Reports. I gave each road condition grade for a section of road. I also made notes detailing what I noted as problems. I used these as well as observations of our roads made last Saturday.

As we have discussed the nominal paved roadway width is 12 feet. This is not enough for two vehicles to pass. Our roadway is actually wider and has a very adequate gravel base. I feel that an 18-foot wide road would allow two vehicles to pass while both on paving. Our roadway width would easily support a 6-foot widening with very little earthwork being required.

I have spent the day estimating costs to bring our roads up to a standard that would allow for safer driving conditions. The following are projects and associated estimates strictly intended for planning purposes:

- 6’ widening................................................................. $135,000
- Construct cul-d-sacs per Subdivision map....................... $90,000
- Fill erosion cut ditches................................................. $15,000
- Reconstruct 2 curves on Ruoff................................... $23,000
- Fill Potholes................................................................ $1,500
- Extend culvert on Ruoff.............................................. $25,000
- Slurry seal 2000’ of roads........................................... $25,000

**TOTAL** $314,500

The numbers above are based on several factors that may skew them to the high side such as prevailing wages, payroll surcharges and benefits. I also tend to estimate on the high side for length of time required to complete a task so that would affect the labor and equipment side of the equation.

As far as tasks for this year, I recommend we take a portion, say 15% of the 20,740 lineal feet of road widening then do the same next year. If we can we should slurry seal about 2000 lineal feet of existing road in order to preserve our investment on a previous chip seal. The $25,000 noted for this task is an estimate from a slurry seal contractor so there may not be too much wiggle room on this item.

Brian Todd, TCHA Roads
<table>
<thead>
<tr>
<th>000</th>
<th>349,500</th>
<th>49,750</th>
<th>49,750</th>
<th>49,750</th>
<th>49,750</th>
<th>49,750</th>
<th>49,750</th>
<th>49,750</th>
<th>49,750</th>
<th>000</th>
</tr>
</thead>
<tbody>
<tr>
<td>25,000</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>000</td>
</tr>
<tr>
<td>25,000</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>000</td>
</tr>
<tr>
<td>1,500</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>000</td>
</tr>
<tr>
<td>000</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>000</td>
</tr>
<tr>
<td>15,000</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>000</td>
</tr>
<tr>
<td>000</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>000</td>
</tr>
<tr>
<td>22,500</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>000</td>
</tr>
<tr>
<td>22,500</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>000</td>
</tr>
<tr>
<td>20,250</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>000</td>
</tr>
<tr>
<td>20,250</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>000</td>
</tr>
<tr>
<td>10,000</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>000</td>
</tr>
<tr>
<td>7,000</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>000</td>
</tr>
<tr>
<td>3,500</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>000</td>
</tr>
</tbody>
</table>

- Shurry seal 2000' of roads
- Extend culverts on Huff
- Fill Portoles
- Reconstruct Z-curves on Huff
- Fill erosion cut bluffs
- Construct cul-de-sacs per subdivision map
- 6" Widening
- General Maintenance

Road Schedule

<table>
<thead>
<tr>
<th>17-18</th>
<th>18-19</th>
<th>20-21</th>
<th>21-22</th>
<th>22-23</th>
<th>23-24</th>
</tr>
</thead>
</table>

Based on Brian's Budget +$7000 a Year for General Maintenance starting FY 19-20 to FY 23-24.
This 2017 5-year Plan is intended to inform the HOA Board and Membership of the condition of its Roads, their safety and durability and to provide a qualitative assessment for future road projects that will allow the Board to make an informed decision as to what projects to undertake in future years such that they may be able to budget appropriately.

**Condition of Roads**

Condition 1--No Distress  
Condition 2--Minor Distress  
Condition 3--Major Distress--Minor Rehab Needed  
Condition 3--Major Distress--Major Rehab Needed  
Condition 4--Loss of Service--Road Construction Required

<table>
<thead>
<tr>
<th>Road Name</th>
<th>Construction</th>
<th>Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ruoff Dr</td>
<td>Asphalt Concrete Paving</td>
<td>2</td>
</tr>
<tr>
<td>Gordon Ct</td>
<td>Chip Seal</td>
<td>2</td>
</tr>
<tr>
<td>Umland Cir</td>
<td>Asphalt Concrete Paving</td>
<td>2</td>
</tr>
<tr>
<td>Signaigo Dr</td>
<td>Chip Seal</td>
<td>2</td>
</tr>
<tr>
<td>Lyons Ct</td>
<td>Chip Seal</td>
<td>2-3</td>
</tr>
<tr>
<td>Frost Ct</td>
<td>Chip Seal</td>
<td>3</td>
</tr>
<tr>
<td>Cundall Ct</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Hudson Dr</td>
<td>Chip Seal</td>
<td>3</td>
</tr>
<tr>
<td>Rust Dr</td>
<td>Gravel</td>
<td>1</td>
</tr>
<tr>
<td>Davis Way</td>
<td>Chip Seal</td>
<td>2</td>
</tr>
<tr>
<td>Smith Ct</td>
<td>Chip Seal</td>
<td>2</td>
</tr>
<tr>
<td>Ansel Ct</td>
<td>Chip Seal</td>
<td>2</td>
</tr>
<tr>
<td>Harriet Ct</td>
<td>Chip Seal</td>
<td>2-3</td>
</tr>
<tr>
<td>Road</td>
<td>Condition</td>
<td>Rating</td>
</tr>
<tr>
<td>--------------</td>
<td>---------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Kelly Ct</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Lee Dr</td>
<td>Chip Seal</td>
<td>3</td>
</tr>
<tr>
<td>Bufano Ct</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Koftinow Dr</td>
<td>Asphalt Paving and chipseal</td>
<td>3</td>
</tr>
<tr>
<td>Trowbridge Ct</td>
<td>Gravel</td>
<td>3</td>
</tr>
</tbody>
</table>

The condition assessment of the roads addresses only the condition of the wear surface, neither road width nor the depth of roadside ditches relative to the safety of any of the roads have been considered.

Typical of any paving several factors affect both the effectiveness and usable life of the wear surface. These are generally:
- Age
- Subgrade composition and type
- Structural Section/Quality of Construction
- Weathering
- Axle loading
- Turning movements
- Water infiltration/subgrade saturation
- Drainage
- Root growth

**Progressive Deterioration**

Generally the first indication in the progression is either Transverse failure or Longitudinal failure. This is followed by Block Failure. The final failure mode below is known as Fatigue Failure or Alligator Cracking. At this point any wheel load is not distributed across the wear surface, water is free to infiltrate the road base and subgrade and both the road base and subgrade deforms at an increasing rate. This is the point where a major rehab project is needed. Any further deterioration in subgrade and road base will require a major reconstruction of the road.
The failure curve above shows the pavement condition on the Y-axis vs. age on the X-axis with "fair" and "poor" corresponding with Condition 3. Our goal should be to stay at or above the Acceptability Index where we get the "biggest bang for the buck".
Safety
As stated previously, assessment of the paving conditions is irrespective of safety factors such as sight distance, road width and depth of roadside ditches. Our road width has been maintained at 12' which is totally inadequate to allow two vehicles to pass one another. It is the County's minimum size for a private driveways but has been maintained in our Subdivision since the roads were first paved. Last year's road efforts were focused on placing turnouts at strategic locations that would allow two vehicles to pass as well as allowing passage of a vehicle around a fire truck while connected to a hydrant. Much work remains to be done.

5-Year Plan

2017
Repair potholes throughout Unit 2. Seal Coat Hudson, Davis, Frost, Ansel, Smith Ct
Widen Signaigo

2018

2019
Construct Trowbridge Ct, pave lower Rust turnaround. Chip seal Rust. Widen various locations Umland Cir.

2020
Widen 1000' of Ruoff. Ditch repair on Ruoff various locations

2021
Widen 1000' of Ruoff. Ditch repair on Koftinow various locations
Study of HOA RECORDS

- We have been going through records including checks, bank statements, prior minutes and agenda’s and Legal invoices that cover the past 3 years
- The following slides are a summary of the review completed to date
- Reviews are still not complete and ongoing
- It is my recommendation (John Gray) for the HOA board to engage an independent reputable CPA firm to do a complete audit of the past 3 years to verify and explain all financial transactions
Cash on hand

- Total in Redwood Credit Union as of 9-1-14 was total $329,558.17 (includes bond account of $80,417.79)
- Total minus Home builder bonds $249,140.38
- Total as of 11-20-17 is $196,431.99 (includes bond amount of $68,300.34) net is $128,131.65
- Account reduced by nearly 50% over 3 years with significantly less spent on roads
- HOA owned asset of office/storage shed on 6+ acres
- Value uncertain but HOA invested over $88,000 in upgrades and then gave away without membership input or vote as required in Bylaws
- Insurance application lists property value at $210,000
Legal Fees

- Legal invoices located so far amount to $57,379.28 to date not including expense incurred by current board between 2-20-15 to 8-20-17
- This compares to $3,338 in invoices from Barbara Zimmerman (previous HOA attorney firm) in 2014
- $2206.44 was paid by Tom G for new opinion on trail dispute who was reimbursed $1,000 as per minutes on January 2015
- $3575 on HOA unit 1 separation paid by Unit 1 members.
- Legal costs to HOA net $52,598.28 (subject to CPA audit)
Legal fees - continued

- Unit 1 Secession research legal invoices to HOA totaled $6,530
- Invoices indicate $3575 paid by unit 1 members
- Remaining appears to have come from HOA funds. (subject to audit)
- $1,030 in Legal fees to research if Board could remove Sal Culcasi.
Legal fees - continued

- Unfortunately, we have substantially more legal fees on the horizon
- HOA currently has a legal demand claim and threat of litigation
- Our attorney is working to resolve but we have concerns on potential liabilities
- It is under legal review and cannot be disclosed at this time but as soon as possible, board intends to inform membership
- Prior insurer has already denied coverage on this claim
- HOA is facing potential $10,000 fine from State on a whistle blower retaliation claim
- Concerns on whether Insurance will cover is in question
Costs

- Legal Invoices targeting on HOA member on trails totaling $15,887.54 based on invoices I have located to date
- Research I have done indicates the funds spent had questionable merit at best
Head Butt incident

- Brian Todd was paid $15,248.78 to cover legal fees from the incident "for attorney fees to defend him against criminal charges. Those charges were dismissed after a court hearing."
- Additionally, the HOA incurred expenses as follows...
- Legal invoices amounted to $12,282.78 for attorney efforts to obtain insurance coverage for Todd's claim, and to obtain attorney advice regarding payment of the claim.
- Checks written to private investigator on event were $450 and $1,500
- Total spent discovered so far amounts to $14,222.78
- **Combined cost of getting opinions to indemnify and pay out come to $29,481.56**
- Davis Sterling does allow for HOA to use expert opinion as long as directors act in good faith and make reasonable inquiry
HOA assets

- Quitclaim deed signed over the office/storage unit to water company without a vote of the membership on 8-15-2015 (This is also in draft from CPA review)
- Signatures listed as Gift. Signer for HOA was Thomas Giacinto
- Signature receiving property for water board Brian Todd
- Value uncertain but HOA spent in excess of $88,000 to upgrade the unit. Property is over 6 acres and has some value
- Value listed as $210,000 on Insurance application but the Quitclaim deed showed property had ZERO value.
- **7-20-15. Check to Unit one road fund transferring HOA assets in amount of $38,275.46**
- Attorney email prior mentions no legal requirement to transfer assets
- **Transfer of assets was NOT listed on agenda for 7-20 meeting nor was it listed in minutes**
Timber Cove
Board of Directors Meeting
Monday July 20, 2015
Timber Cove Homes Office
22098 Lyons Court
2:00 pm
AGENDA

Executive Session (1:30 pm) if necessary
1. Contracts/personnel
2. Litigation potential and legal response to violation of CC&R’s and Bylaws.

Regular meeting 2 pm

Call to Order
Approval of Agenda
Approval of Minutes June 29, 2015
President’s Report (T.Giacinto)
Announcements (T. Giacinto, S. Lynn)
   introduction of resident Sheriff

Reports:
   a. Correspondence (S. Lynn)
      a. Security and Fire Abatement (N. Lee) Written
   b. Website (S. Lynn, S. Moulton)
   c. Architectural Report (S. Lynn) (Handout)
   d. Treasurer’s Report (F. Leif)
      a. Payment of Bills (Handout)
      b. Insurance
   e. Security and Fire Abatement (T.McKusick)
   f. Trail update and survey status

Public Comment

OLD BUSINESS
1. Status of Outside Grants and Contracts (T.McKusick)
2. Roads and Signage Report (T. McKusick)
3. Lyons Court Office Update (T.Giacinto, T.McKusick)
4. PG&E Underground Cable (T. McKusick)
5. Emergency Response (F. Leif)
6. Capital Improvement Plan (T. Giacinto/Sylvia Todd)
7. Annual Meeting Report: Date and Place (S. Lynn, T. Giacinto)
7.3 Prohibited Acts. The Board shall not do any of the following, except with the vote at a meeting of the Association, or by written ballots without a meeting pursuant to California Corporations Code § 7513, of a simple majority of the Members:

A. Enter into a contract with a third person in which the third person will furnish goods or services for the Common Area or the Association for a term longer than one year or, notwithstanding the term, in which the amount to be paid to the vendor, including, without limitation, amounts to be paid under contingent fee contracts, may reasonably be expected to exceed 5 percent of the budgeted gross expenses of the Association for the fiscal year in which the contract is signed, and the contract is other than for the maintenance, repair, replacement, or reconstruction of one or more elements of the Common Area, with the following exceptions:

(1) A management contract, the terms of which have been approved by the Federal Housing Administration or Veteran Administration (if either has jurisdiction over the Project);

(2) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;

(3) Premium casualty or liability insurance policies of no more than three years' duration, provided that the policy permits short-rate cancellation by the insured;

(4) Agreements for cable television services and equipment or satellite dish television services and equipment of no more than five years' duration;

(5) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation, and services of no more than five years' duration; and

(6) A contract for a term not to exceed three years that is terminable by the Association after no longer than one year without cause, penalty, or other obligation upon 30 days' written notice of termination to the other party.

B. Incur aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of 5 percent of the budgeted gross expenses of the Association for that fiscal year.

C. Sell during any fiscal year property of the Association having an aggregate fair market value greater than 5 percent of the budgeted gross expenses of the Association for that fiscal year.

D. Pay compensation to members of the Board or to the officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may cause a member of the Board or officer to be reimbursed for the actual expenses, if reasonable, that are incurred in the performance of his or her duties.

P. Resolved bylaws

THOMAS CORI HOMES ASSOCIATION
Quitclaim Deed

THIS QUITCLAIM DEED, executed the 19th day of August, 2015
by first party, Grantor,
whose post office address
is 7208 Cypress Court, Imperial Beach, CA 92154
wherein post office address is
7208 Cypress Court, Imperial Beach, CA 92154

WITNESSETH, that the said first party, for good consideration and for the sum of

paid by the said second party, the receipt whereof is hereby acknowledged, does hereby transfer, release and quitclaim unto the
said second party forever, all the right, title, interest and claim which he said first party has in and to the following described
parcel of land, and improvements and appurtenances thereto in the County of

Clerk

ACKNOWLEDGMENT
PAID TO BE ATTACHED TO THE FOLLOWING DOCUMENT
Grantor's deed

ATTEST: Thomas A. Quintero
Vice President, Timber Cove Water District

By __________/s__

13
Additional information

- Sal Culcasi was lone no vote on payment of bills
- Sal confirmed the transfer of assets was included in bills as payment of bills
- This was NOT a bill. It was a transfer of HOA assets
- Minutes from April 2015 reflect the following:
  - *CCR’s for Unit one secession completed*
  - *“The responsibility to maintain the roads in Unit 1 remain with Unit one***
Trail costs

- Trail costs from invoices located so far equal ....
- $11,245
- This includes survey costs, payments to 2 workers and $1800 payment to John Howland for work done on John Sperry trail
- PLUS- $15,887 on Legal fees targeting one member’s property
- Total $27,132 based on current findings
- Complete CPA audit recommended to verify totals
Summary of some costs

- Asset while value uncertain, over $88,000 in HOA funds were invested in the property
- It was then transferred to water board without vote of membership as required in Bylaws claiming zero value
- $52,598 spent in legal fees
- $15,887.54 spent targeting 1 property to put trails across one property
- Additional $11,245 on trail surveys, design and construction found
- $2955 on unit 1 separation after unit 1 members contributions (subject to audit)
- $29,481.56 spent on Head Butt incident
- $38,275.46 given away to unit 1 road fund (never on agenda)
- Additional funds spent still under investigation
- This is subject to complete audit to be disclosed when completed if approved.
Current status on Taxes and reviews

- We are up to date on payroll taxes after not having paid for nearly 3 years until June of this year
- Taxes filed for 2014 and 2015 as well as addendum for 2014
- We have not yet been forgiven the late filing penalties but CPA is negotiating to have reduced or forgiven.
- CPA explained that difference between review and return due to return was 3 years late and needed filing to avoid any more potential fines from accumulation and further adjustments to returns likely
- 2016 Still incomplete but we have legal extension until January. Thank you Sue Ellen on hard work with CPA in order to attempt to straighten out issue.
- Review from CPA for 2014/2015 and 2015/2016 now being reviewed.
- 2016/2017 Not yet completed.
- We are nearly completed with reconciliation of the books in order to have audit completed
- Move to have complete audit by reputable CPA firm upon completion of reconciliation and review
Road status

- Ron Case and John Gray did ride with Timber cove excavation to get bid on sweeping and roadside maintenance
- Bids received from Mann Excavation and Timber Cove Excavation
- Calls out to other contractors to get competing bids Von Renner declined work citing they do not have sweeping equipment. Little road maintenance has been performed in 3 years but some capital improvement work was done
- Invoices for past 3 years located so far amount to $47,223.
- 11-20-16 $13,000 payment to Mark Mann Excavation for work done to widen turnout at Ruoff and Hwy 1. That Turnout is in Unit 1
- Given that amount was on a Unit 1 road, work in Unit 2 amounts to $34,223 based on invoices and checks found so far in records
- Road work for past 3 years significantly less spent than on legal fees.
Insurance

- On 10-26-17 John Gray and HOA attorney Martin Hirsch met with our insurance broker to cover insurance application filled out by previous HOA president
- This application included **multiple misstatements** that included.....
- HOA had never had non-renewal by previous insurers when in fact, the prior insurer issued a non-renewable notice was dated in May 2017 and was the very reason we needed to file an application for insurance with a new insurer.
- HOA had no knowledge of any potential claims against HOA or its officers when in fact there were multiple minutes in previous 2 years that included litigation update, letter from attorney for a member threatening litigation over trial dispute, letter from previous office manager alleging criminal and civil violations and directing any communications to her attorney
Insurance continued

- Application listed office/storage shed as 2000 square feet and HOA property
- Building is closer to 500 square feet and old board signed over to water district
- Listed zero employees but Brian Todd was in fact an employee, (at least according to the indemnification claim)
- Security guard also was employed as verified through payroll records
- Claimed employees were not required to use own vehicles when in fact security patrols included vehicles that were employee owned, HOA reimbursed for mileage and provided magnetic signs to go on the doors
- Claimed that there were less than 5 undeveloped properties in HOA when in fact, there are 111
Insurance continued

- These misstatements and others put association at risk of....
- LOSING ALL COVERAGE
- Application was signed by previous HOA president
- Refusal to pay any claims that could result due to misleading underwriter
- Potential to make HOA uninsurable in future as well
- The meeting was called due to the language requiring any inaccuracies must be disclosed making it our legal obligation to correct.
ELEIGIBILITY CRITERIA

1. Does the Association have any prior, pending, or existing bankruptcy in the past 5 years? [ ] Yes [ ] No

2. Is the existing insurance policy in force of the Association over 1 year reviewed or renewed?
   [ ] Yes [ ] No

3. Does the Association have an affiliation with, owns or maintain any of the following?
   a. Occupancy or country club? [ ] Yes [ ] No
   b. Golf course or country club? [ ] Yes [ ] No
   c. Marina or marina facilities? [ ] Yes [ ] No
   d. Water Treatment Facility [ ] Yes [ ] No
   e. Aerial or Gazebo Treatment Facility [ ] Yes [ ] No

4. Does the Association maintain representation on the board?[ ] Yes [ ] No

5. Is there any ongoing conversion from associations to condominiums? [ ] Yes [ ] No

6. Is membership in the Association voluntary? [ ] Yes [ ] No

7. If there is no commercial cooking, does the kitchen meet all NFPA 80 requirements? [ ] Yes [ ] No

8. Does the Association have an escrow fund balance? [ ] Yes [ ] No

9. Within the last 12 months:
   a. Has the Association completed a foreclosure sale against a member? [ ] Yes [ ] No
   b. Has any board election been challenged? [ ] Yes [ ] No
   c. Has the board initially rejected any resources or other than the extension of insurance? [ ] Yes [ ] No

10. Within the last 5 years, has any judgment, lien, notice of hearing, claim or court action been made against the Association, or in any case, was insurance in the capacity of Directors, Officers, Trustees, Employees or Volunteers?
    [ ] Yes [ ] No

11. If any person proposed for the insurance coverage of any kind, occurrence or accident which may result in a claim against the applicant or any of its Directors, Officers, Trustees, Employees or Volunteers?
    [ ] Yes [ ] No

12. Are any more than 50% of the units rented or leased? [ ] Yes [ ] No

13. General Liability
    [ ] Yes [ ] No

14. Does the Association own or maintain any of the following?
    a. Fire alarm systems (owned or maintained by the Association)? [ ] Yes [ ] No
    b. Fire alarm systems (owned or maintained by another party)? [ ] Yes [ ] No
    c. Fire alarm systems (owned or maintained by the Association)? [ ] Yes [ ] No
    d. Fire alarm systems (owned or maintained by another party)? [ ] Yes [ ] No

15. If the Association is responsible for the insurance or maintenance of the residential buildings, please answer the following:
    a. Does the Association have an affiliation with, own or maintain any of the following?
       [ ] Yes [ ] No

16. Is the Association subject to any age restriction covenant? [ ] Yes [ ] No

17. Is there any evidence of the Association's membership being by non-members or residents of the public? [ ] Yes [ ] No

18. Is there any evidence of the Association's membership being by non-members or residents of the public? [ ] Yes [ ] No

19. Does the Association have an affiliation with, own, maintain or contract for any of the following?
    a. Needleworks, sewing, or similar services? [ ] Yes [ ] No
    b. Hair stylist or similar services? [ ] Yes [ ] No
    c. Cafeteria, restaurant, or similar services? [ ] Yes [ ] No
    d. Linen service? [ ] Yes [ ] No

20. Does the Association have an affiliation with, own, maintain or contract for any of the following?
    a. Needleworks, sewing, or similar services? [ ] Yes [ ] No
    b. Hair stylist or similar services? [ ] Yes [ ] No
    c. Cafeteria, restaurant, or similar services? [ ] Yes [ ] No
    d. Linen service? [ ] Yes [ ] No

21. Does the Association own or maintain any underground tanks? [ ] Yes [ ] No

22. Are there any more than 5 underground tanks? [ ] Yes [ ] No

23. Are there any underground tanks or similar systems in place to monitor or detect any underground tanks or similar systems? [ ] Yes [ ] No

24. If the Association is a Master Association, are all sub-assOCIations required to carry their own insurance? [ ] Yes [ ] No

25. Are there any more than 5 underground tanks? [ ] Yes [ ] No

26. Are there any underground tanks or similar systems in place to monitor or detect any underground tanks or similar systems? [ ] Yes [ ] No

27. Does the Association own or maintain any underground tanks? [ ] Yes [ ] No

28. Are there any more than 5 underground tanks? [ ] Yes [ ] No

29. Does the Association own or maintain any underground tanks? [ ] Yes [ ] No

30. Are there any more than 5 underground tanks? [ ] Yes [ ] No
Fraud Statement (All Other States): Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

If your state requires that we have information regarding your Authorized Agent or Broker, please provide below:

Agent Name: [Blank]
License #: [Blank]

This signature acknowledges that the information provided is material to the Insurer's decision to approve the requested insurance and is known by the Insurer in preparing such insurance. The signer of this application represents that the information provided in this application is true and correct in all matters. The signer of this Application further represents that any changes in matters insured since this Application containing prior notice of such changes shall be made to the Insurer in a timely manner and in accordance with any instructions or recommendations provided by the Insurer. The decision of the Insurer not to make or to limit any investigation or inquiry shall not be deemed a waiver of any other rights by the Insurer and shall not stop the Insurer from relying on any information in this Application in the event the Policy is issued. It is agreed that the Application shall be the basis of the contract and it will be assumed and accepted as part of the Policy.

Applicant's Signature: [Blank]

24
Insurance continued

- On 11-16-17 We were notified by insurance carrier that our coverage is being canceled as of 12-27-17
  - The insurer cited inaccurate information on signed application as the reason. Specifically, the number of undeveloped properties
  - Non renewal by one insurer and subsequent cancelation by the succeeding, current insurer, combined with recent claims history, is likely to make procuring adequate replacement coverage before 12-27-17 significantly more challenging and expensive than in the past
Lack of insurance consequences

- Articles VIII section 8.1 in Association Bylaws on Association duties and Responsibilities section B on Insurance references California Civil Code 1365(e)
- California Civil code 1365.9 as stated in our bylaws states the following
- That if the Association is not insured, Owners may be individually liable for the entire amount of the judgement, and, if the Association is insured to the levels specified in the section, then the Owners may be individually liable only for their proportional share of the Assessments levied to pay the amount of any judgement that exceeds the limits of the Associations Insurance.

**This means every property owner in HOA could be potentially responsible for paying out of pocket for judgement against HOA that could amount to Thousands of dollars per property in HOA**

- While there has been some revisions to the code in 2012 on individual liability, now replaced with code 5805, the bottom line is Davis Sterling requires assessment of members in event the HOA is unable to pay its bills and requires maintaining $3million in insurance.
- Our Attorney is researching how our CCR's would apply that new code
ARTICLE VII
ASSOCIATION DUTIES AND RESPONSIBILITIES

II. Association Duties. The Association shall, as provided in these Bylaws or as the Board may otherwise direct, through its Managing Agent, if any, undertake the following duties and responsibilities:

A. Maintenance. Perform the maintenance described in paragraph 5.1.A of the Declaration;

B. Insurance. Maintain insurance as required by paragraph 8.1 of the Declaration. The Association shall, upon issuance or renewal of insurance, but no less than annually, notify the Members as to the amount and type of insurance carried by the Association, and it shall accompany such notification with statements (required under California Civil Code § 1365(e)) to the effect that the Association is or is not insured to the levels specified by California Civil Code § 1365.9, and that if the Association is not so insured, Owners may be individually liable for the entire amount of a judgment, and, if the Association is insured to the levels specified in the section, then the Owners may be individually liable only for their pro rata share of Assessments levied to pay the amount of any judgment that exceeds the limits of the Association’s insurance. The Association shall not levy any Assessments against the Members to pay the amount of any judgment against the Association without a vote approving that Assessment or written consent of a majority of the Members. The Association shall prepare and distribute to its Members the summaries of the Association’s insurance policies as required by California Civil Code § 1365(e), pursuant to paragraph 12.1.F of these Bylaws;

C. Discharge of Liens. Discharge by payment, if necessary, any lien against the Common Area and assess the cost of the lien to the Member or Members responsible for the existence of the lien (after notice and hearing as required by these Bylaws);

D. Assessments. Fix, levy, collect, and enforce Assessments as set forth in Article IV of the Declaration;

E. Expenses and Obligations. Pay all expenses and obligations incurred by the Association in the conduct of its business, including, without limitation, all licenses, taxes, or governmental charges levied or imposed against the property of the Association;

F. Enforcement. Enforce these Bylaws and the Declaration;

G. Records. Cause to be kept a complete record of all acts and affairs of the Association and to present a statement of them to the Members at the annual meeting of the Members, or at any special meeting when the statement is requested in writing by five percent (5%) of the Members; keep adequate and correct books and records of account, minutes of proceedings of its Members, Board, and committees, and a record of its Members giving their names and addresses and classes of membership.
Concerns

- We have approx. $98,685 in income a year (if everyone pays)
- Out of this we need to cover ....
- Roads
- Employee and administrative costs (CPA audits, insurance, tax returns etc.)
- Reserve funding
- In other words, little left for Legal, Trails etc.
- We have $21,050.30 in apparent uncollectable dues on 3 properties.
- One property on Umland sold with outstanding balance of $4,816.13
- One property on Davis with $9,797.40 outstanding balance
- One property on Timber Cove Road that was sold with $6,436.27 outstanding balance
- No liens had been posted
- It appears little or no prior research had been done on these properties and names on outstanding HOA records do not match actual owners.
Concerns

- Finances of HOA are in a critical state.
- Insurance coverage a major concern. (we may have none as of 12-27-17)
- While we have made significant progress in collecting past due dues, we still have several properties significantly behind
- Cash on hand may not properly fix the roads as many have deteriorated due to lack of maintenance.
- Our current status needs to be reviewed and decisions on repairs will need to be made by committee based on priority and funds on hand
- Recommend complete audit of last 3 years by a reputable CPA firm.
- Member input will be solicited on next steps